

# IAD's MONTHLY ACTIVITY REPORT

FOR

## MAY 2005

TO THE

## BOARD OF SUPERVISORS

*The Internal Audit Department is an independent audit function reporting directly to the Orange County Board of Supervisors.*

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*Integrity  
Objectivity  
dependence*

**by the Director of Internal Audit**  
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Certified Information Technology Professional (CITP),  
Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE)

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## **Monthly Summary – May 2005**

### **Status Report to the Board of Supervisors by IAD**

We finished 2 projects this month:

- We completed 1 Follow Up Audit of Auditor-Controller Trust and Agency Fund Disbursements.
  - We noted the 3 recommendations for 3 audit findings are in process of being fully implemented.
- We completed 1 Audit of the Statement of Assets Held by the County Treasury as of December 31, 2004. Our observations regarding internal control weaknesses, i.e., draft Management Letter was issued to the Treasurer on May 16, 2005; response due by July 15, 2005.

# Monthly Summary – May 2005

## Status Report to the Board of Supervisors by IAD

### MATERIAL FINDINGS

	Department and Description	Comments
		NONE

### NON-MATERIAL FINDINGS

	Department and Description	Comments
1.	<p>DEPT: Treasurer-Tax Collector</p> <p>TITLE: Report on Audit Statement of Assets Held by the County Treasury as of December 31, 2004</p> <p>Audit No. 2409</p> <p>ISSUED: May 6, 2005</p>	<p><b>SCOPE:</b> In our audit of the Treasurer-Tax Collector's (County Treasurer) Statement of Assets Held (financial statement), we performed tests to determine whether the assets (cash, demand accounts, and investments) held by the County Treasury were fairly stated, i.e., the assets exists, and are recorded accurately, completely, and timely.</p> <p><b>CONCLUSION:</b> In our opinion, the Statement of Assets Held by the County Treasury presents fairly, in all material respects, the amount and type of assets in the County Treasury as of December 31, 2004.</p> <p><b>BACKGROUND:</b> At December 31, 2004 the County Treasury had total assets of \$5.896 billion, of which \$3.12 billion was in the County Pool; \$2.714 billion was in the Education Pool; and \$61 million was Non-Pooled.</p> <p>California Government Code requires that the elected Auditor-Controller perform three quarterly reviews and one quarterly audit of the statement of assets in the County Treasury. The Auditor-Controller contracts with the Internal Audit Department to conduct the quarterly reviews and the quarterly audit.</p> <p><b>TYPE OF RECOMMENDATIONS:</b> In planning and performing our audit for the purpose of</p>

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	Department and Description	Comments
		expressing an opinion on the financial statement, the American Institute of Certified Public Accounts requires that we obtain an understanding of the Treasurer's internal controls over financial reporting. In doing so, we identified deficiencies relating to the design or operation of the internal controls. These deficiencies have been identified in a draft Management Letter, which we issued to the Treasurer-Tax Collector on May 16, 2005. A written response from the Treasurer-Tax Collector to the recommendations in the Draft Management Letter is due by July 15, 2005.

# Monthly Summary – May 2005

## Status Report to the Board of Supervisors by IAD

	Department and Description	Comments
2.	<p>DEPT: Auditor-Controller</p> <p>TITLE: <b>Follow-Up Audit</b> Department Control Review Auditor-Controller Trust and Agency Fund Disbursements, Original Audit No. 2429</p> <p><u>Audit No.</u> 2532</p> <p>ISSUED: May 31, 2005</p>	<p><b>SCOPE:</b> 1<sup>st</sup> Follow-Up Audit of trust and agency fund disbursement processes to determine if corrective action had been taken for the <b>3</b> recommendations we noted in our original audit. No material or significant weaknesses were identified in the original audit.</p> <p><b>CONCLUSION:</b> <b>1 recommendation was partially implemented and 2 recommendations are in process of being implemented.</b> The Auditor-Controller is continuing to research and resolve various unidentified differences in the trust and agency funds and will take measures to transfer any remaining unidentified amounts to the General Fund.</p> <p><b>BACKGROUND:</b> The original audit assessed the processes, procedures and controls over Auditor-Controller/Central Operations' fund disbursements and reconciliations of trust and agency funds. Central Operations oversees 6 trust and agency funds. During FY 2003/04, Central Operations processed approximately <b>\$533 million disbursement transactions</b> mostly comprised of employee payroll withholdings.</p> <p><b>TYPE OF RECOMMENDATIONS:</b> Research and resolve outstanding reconciling items; ensure responsibility and accountability of funds is clearly established and communicated; reconcile trust funds completely and resolve differences timely.</p>